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CALGARY POWER LTD.

operations details
ANNUAL REPORT 1972

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CONTENTS

Highlights	1
Report to the Shareholders	2-6
Financial Information	7-13
10 Year Summary	14-15
Corporate Information	16

The Bighorn Power and Storage Development

The cover sketch depicts the Bighorn Power Project during construction.

Preliminary investigations of the Bighorn Site commenced in 1953 but were abandoned when the foundation explorations revealed that the bedrock was deep and overlain by highly pervious sand and gravel. By 1965 advances in technology indicated practical solutions to the construction problem and detailed studies were started again which culminated in the commencement of construction in 1969. The first power from the project was delivered to the system in November, 1972.

While the primary purpose is to generate electric power, an additional benefit to Albertans results from the ability to augment the winter flow of the North Saskatchewan River. For the latter reason, the Government of Alberta has contributed about \$5 million towards the project cost of \$44 million.

The reservoir formed by the 300-foot high dam has been named Lake Abraham in recognition of the Stoney Indian family who have lived in the area for many years. The impressive and scenic complex offers considerable potential for recreational amenities. The lake, some 22 miles in length, is about 80 miles west of Rocky Mountain House and is skirted by the David Thompson Highway. Located in the midst of some of Alberta's most spectacular scenery, it is expected to become a major tourist attraction.

Illustrations are by R. D. Wilson, well known Canadian artist, who was commissioned by Calgary Power Ltd., to record his impressions of Company facilities in Alberta.

DIRECTORS

E. R. ALEXANDER
R. G. BLACK, Q.C.
E. J. CHAMBERS, Q.C.
J. H. COLEMAN
J. B. CROSS
A. S. GORDON
A. W. HOWARD
J. H. McLAUGHLIN
DENIS STAIRS, O.B.E., M.C.
G. H. THOMPSON, M.C.
M. M. WILLIAMS

OFFICERS

G. H. THOMPSON,
Chairman of the Board
A. W. HOWARD,
President
E. J. CHAMBERS, Q.C.,
Vice-President
M. M. WILLIAMS,
Executive Vice-President
F. T. GALE,
Vice-President
G. H. MILLIGAN,
Vice-President, Administration
T. D. STANLEY,
Vice-President, Resources Planning
W. A. SHARMAN,
Secretary-Treasurer
F. V. KAY,
Assistant Secretary-Treasurer
H. B. CURTIS,
Assistant Secretary

COMPANY OFFICIALS

E. J. BARRY,
Director of Energy Supply Planning
J. A. BOURNE,
Controller and Chief Accountant
T. E. CARDELL,
Director of Operational Services
R. B. CARRUTHERS,
Capital Budget and Property Account Administrator
W. R. DAVIS,
Executive Engineer
W. L. FRASER,
Director of Technical Services
G. A. HADLINGTON,
Director of Administrative Services
M. J. HALPEN,
Assistant Director of Administrative Services
E. J. MacLEOD,
Director of System Planning
D. B. PORTER,
Director of Public Relations
H. G. SCHAEFER,
Director of Finance
E. W. SMITH,
Director of Consumer Services

1972 HIGHLIGHTS

	1972	1971
Load in Kilowatt-Hours (millions).....	7,430	6,573
Gross Revenue from Operations	\$ 70,026,000	\$ 63,002,000
Operating Expenses	\$ 23,295,000	\$ 20,291,000
Taxes, Income and Other	\$ 8,815,000	\$ 8,381,000
Net Income	\$ 14,139,000	\$ 12,881,000
Earnings Per Common Share	\$ 2.38	\$ 2.18
Dividends Declared Per Common Share	\$ 1.00	\$ 1.00
Shareholders' Investment	\$123,775,000	\$116,076,000
Capital Expenditures	\$ 66,245,000	\$ 49,895,000
Total Assets	\$438,976,000	\$377,313,000
Total Customers, Direct and Indirect	306,000	291,000



Horseshoe Hydro Plant

1972 IN REVIEW

REPORT TO THE SHAREHOLDERS

Your Directors submit their Annual Report for the year ended December 31, 1972, together with the audited financial statements.

In 1972 your Company completed another year of significant growth. It was also an eventful year. The Company moved into an era of new public utility regulation and filed the first application for a general rate increase in its history. Alberta continued to have a growing trend of business activity and this, combined with a short term tax exemption on coal mining operations, has enabled the Company to report favourable financial results for 1972. Both operating and capital costs have risen substantially due to prevailing inflationary pressures including the problems of environmental control and higher interest charges. These influences and the rapid expansion of the business are all tending to reduce operating margins.

REVENUE AND EXPENSES

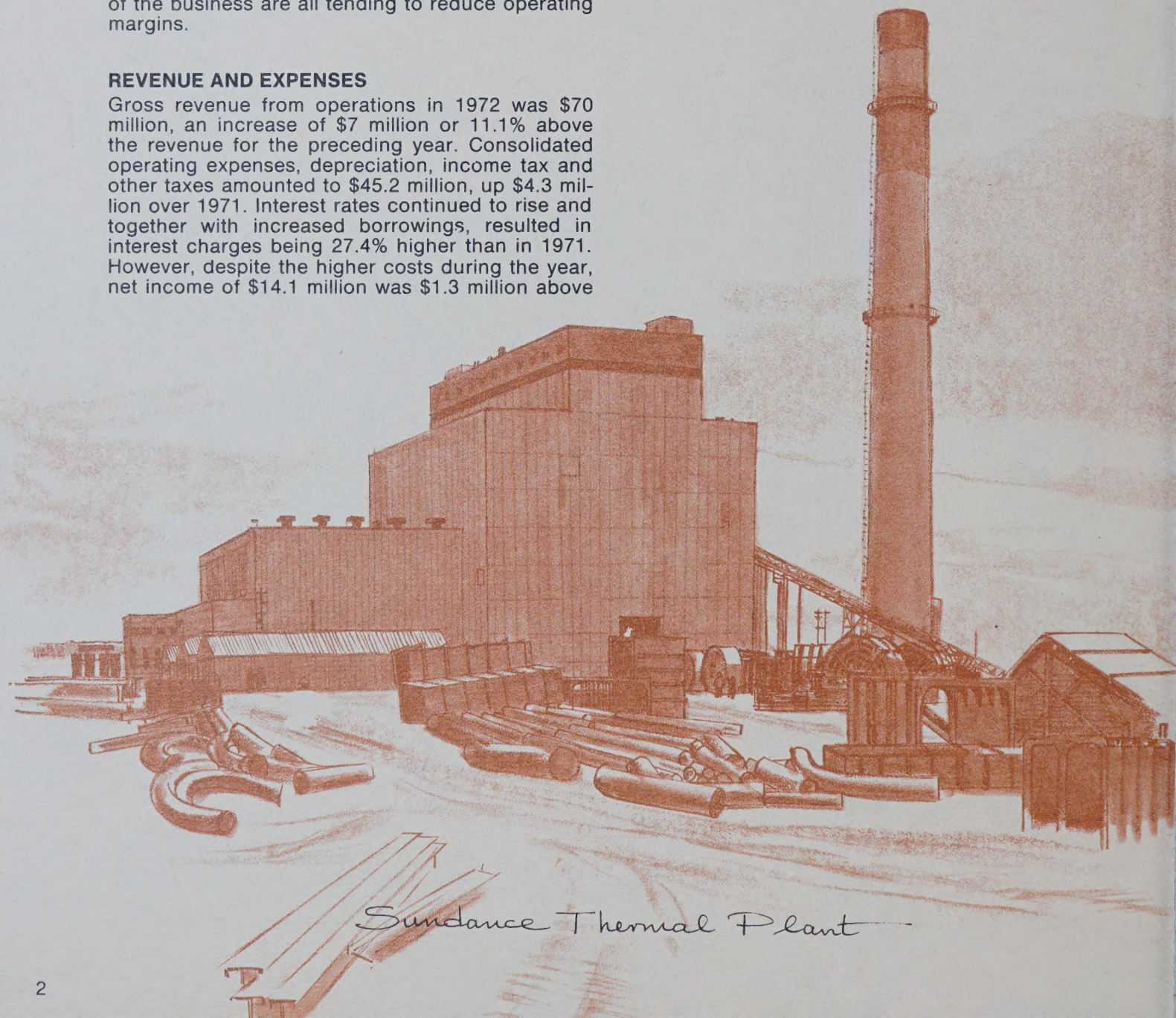
Gross revenue from operations in 1972 was \$70 million, an increase of \$7 million or 11.1% above the revenue for the preceding year. Consolidated operating expenses, depreciation, income tax and other taxes amounted to \$45.2 million, up \$4.3 million over 1971. Interest rates continued to rise and together with increased borrowings, resulted in interest charges being 27.4% higher than in 1971. However, despite the higher costs during the year, net income of \$14.1 million was \$1.3 million above

that reported for 1971. Contributing to this increase was a reduction in income tax of \$2.1 million resulting from the three year tax exemption granted in 1970 on the coal mining operation at the Highvale Mine. This exemption terminates on October 31, 1973.

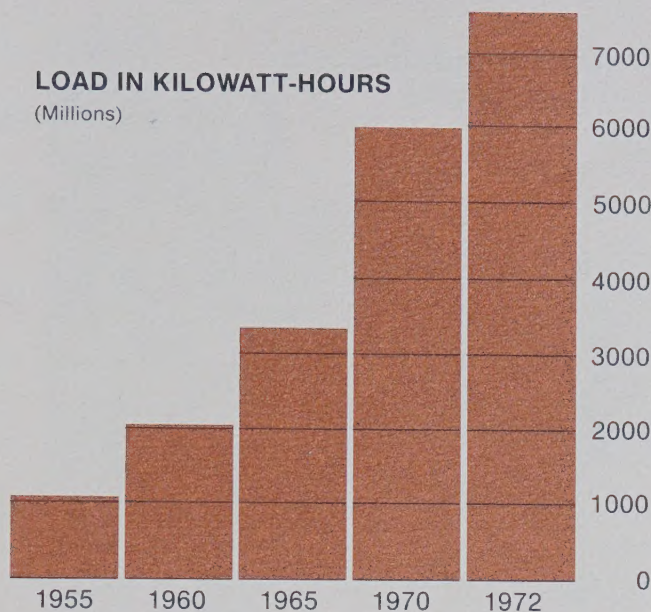
EARNINGS

The improvement in net income resulted in higher earnings amounting to \$2.38 per common share in 1972 compared to \$2.18 in 1971.

During the year, four quarterly dividends of 25 cents each were declared on the outstanding common shares. The balance of \$1.38 per share, amounting to \$7.7 million, was retained for use in the business.



Sundance Thermal Plant



OPERATIONS

The load supplied by the Company's power system during 1972 was 7,430 million kilowatt-hours compared to 6,573 million kilowatt-hours in 1971, an increase of 13%. The system peak in 1972 was 1,310,000 kilowatts compared to 1,206,000 kilowatts in 1971. The growth was particularly strong in the industrial sector with energy requirements showing an increase of 18.1% over the previous year. The ten year growth summary included in this report shows the volume increase in both revenue and sales since 1963. Noted below are the percentage rates of growth in sales and revenue over the five year period of 1968 to 1972:

Year	KWH Sales % Increase Over Previous Year	Revenue % Increase Over Previous Year
1968	12.6	10.9
1969	16.1	9.8
1970	13.2	11.4
1971	10.5	10.8
1972	13.5	11.1

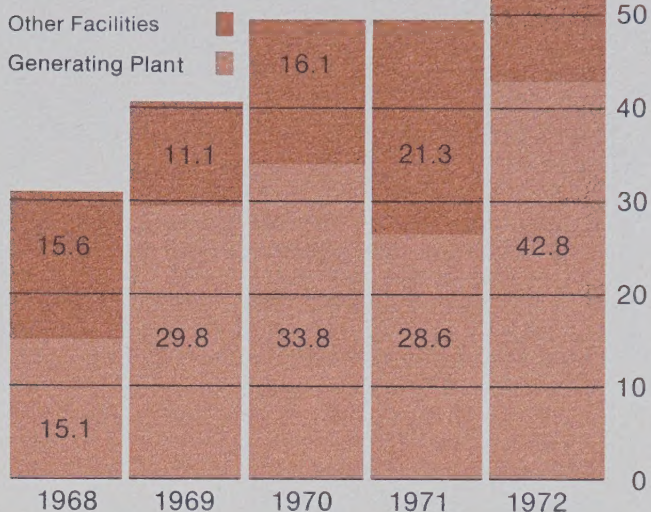
Revenue of \$70 million for the year came from the following major sources:

	(000)	%
Industry	\$24,975	35.7
Wholesale	17,395	24.8
Retail	18,345	26.2
Farms	7,756	11.1
Other	1,555	2.2
	<u>\$70,026</u>	<u>100.0</u>

Your Directors are also pleased to report that the existing contract with the City of Calgary, the Company's largest individual customer, was amended in November, 1972 to extend the earliest date of termination to August 31, 1985 or to any subsequent year by giving ten years notice. The contract increases the Company's commitment to supply power

CAPITAL EXPENDITURES

(Millions of dollars)



to the City up to 750,000 kilowatts and in effect provides for higher rates to be payable by the City, starting with power used from March 1, 1973.

CAPITAL PROGRAMME

The Company's overall capital expenditure for new plant and equipment was at a record level in 1972 totalling \$66.2 million compared to \$49.9 million in 1971 and \$49.9 million in 1970. Major projects carried out under the 1972 programme included the following:

Bighorn Storage and Power Development

The Bighorn Storage and Power Development on the North Saskatchewan River went into service in November, 1972 and added 120,000 kilowatts to the Company's generating capability. At the same time, valuable downstream benefits will accrue from the greatly improved control of the river flow.

Sundance Steam Electric Plant

Work continued on the construction of the second unit in the Sundance Steam Electric Plant. This unit with a net generating capability of 286,000 kilowatts is scheduled for operation in late 1973. Foundation work for Sundance Units No. 3 and No. 4, with net generating capabilities of approximately 352,000 kilowatts each, was started during the year with commissioning scheduled between 1975 and 1977.

High Voltage Transmission System

280 miles of 138 KV line extensions were completed during the year including 56 miles of steel towers connecting the main system west of Red Deer to the new Bighorn hydro plant and the conversion to 138 KV of approximately 125 miles of existing 69 KV transmission line. A tie-in of four miles of 240 KV line was completed between our Edmonton substation and the City of Edmonton

Clover Bar power plant. The Edmonton substation and the Sarcee substation at Calgary were upgraded to increase capacity. It is expected that an application will be submitted to the Energy Resources Conservation Board (Alberta) in 1973 for permission to interconnect at 240 KV with the system of the British Columbia Hydro and Power Authority in the Crowsnest Pass area at the Alberta-B.C. border. The Company is already connected to the B.C. system at 138 KV.

With a continuing high rate of growth and at inflationary costs the anticipated capital expenditures in the period ahead will reach even higher levels than 1972, with the result that the Company will spend almost as much on capital plant in the next five years as it has in the more than 60 years since its inception.

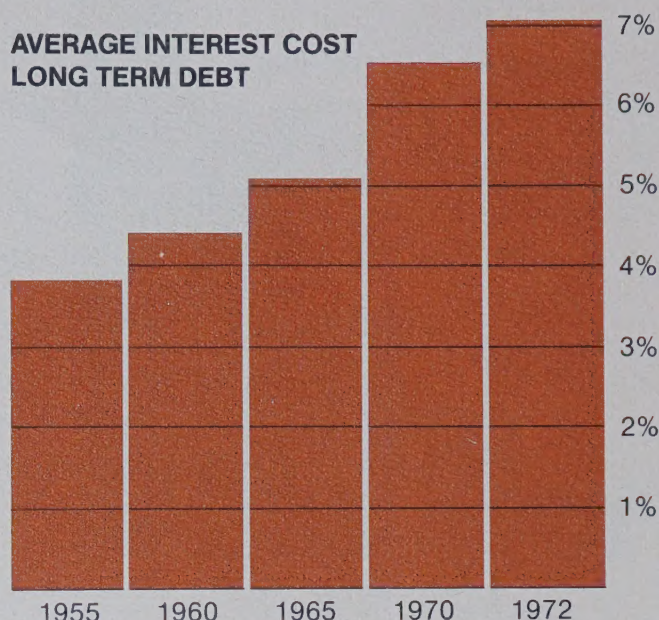
FINANCIAL MANAGEMENT

Despite the increasing amount of funds being generated through depreciation, deferred tax and retained earnings, the large sums of money needed for expansion of the business cannot come from these internal sources alone. The development of new electric service facilities is therefore dependent in large part upon new money raised in competitive capital markets and in particular the Canadian market. In 1972 the Company not only had its current capital programme to consider, but superimposed on this was the necessity to refund a substantial amount of maturing bonds issued in the immediate post-war period at very low rates of interest. As a result, financing during the year reached an all time high. The Company issued \$25 million principal amount of First Mortgage Bonds 8½% Series due 1993 and \$5 million of First Mortgage Bonds 7.80% Series due 1978. The Company also entered into an agreement with the Export-Import Bank of the United States and undertook to pledge as collateral a First Mortgage Bond bearing an interest rate of 6% for a loan of \$7.16 million (U.S.). This loan will be drawn down during the period of construction and is in respect to certain boiler components and mining machinery of U.S. manufacture required in the construction of Sundance No. 3 and No. 4 units. In addition, the Company issued \$1 million of Series A and \$10 million of Series D Secured Debentures.

The amount of debt currently being carried in the Company's capital structure is relatively high and the Company recognizes the necessity for additional equity. Towards this end the Company filed a prospectus with the securities commissions in mid-December and in early 1973 issued \$15 million aggregate par value of 7% preferred shares.

The growing volume of the Company's energy sales imposes continuing and large requirements for new capital. As a consequence it must be particularly sensitive to general financial conditions and to investor relations in order to maintain ready access to funds at a reasonable cost.

AVERAGE INTEREST COST LONG TERM DEBT



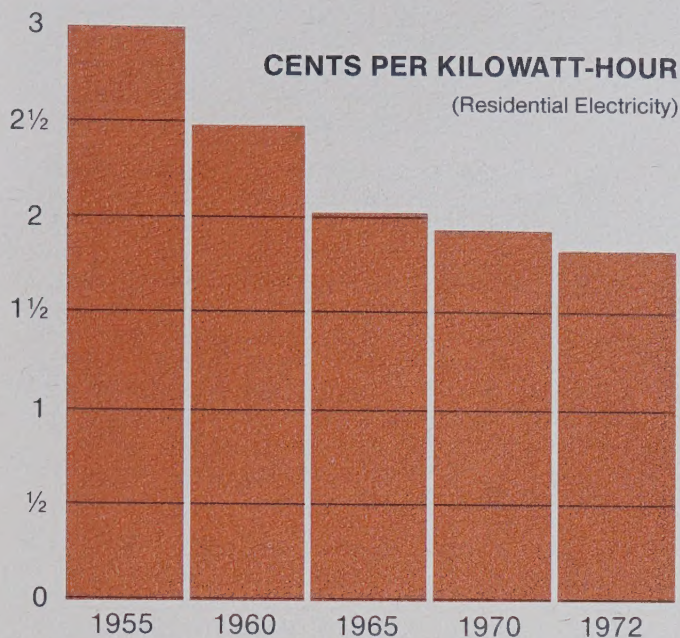
At the end of 1972 the Company had outstanding 5,758,486 common and preferred shares with voting rights held by 10,689 shareholders, distributed geographically as follows:

	Alberta	Canada Excluding Alberta	U.S.A.	Other	Total
No. of Shareholders	3,834	6,575	165	115	10,689
% of Shareholders	36	61	2	1	100

As 97% of the shareholders are registered in Canada and 98% of the outstanding shares are held in Canada, your Company is truly a Canadian owned and controlled corporation. All of your Directors are Canadian and the majority live in Alberta.

REGULATION

As mentioned in the Interim Report to shareholders for September 1972, the Company and its operations are now subject only to The Provincial Water Power Regulations rather than a combination of Federal and Provincial Regulations which was the situation that developed following transfer of the natural resources, including water, from the Federal to the Provincial Government in 1930. The ambiguities in these regulations and the fact that they differed from the regulations applicable to other utilities in the Province created considerable difficulty and confusion. It became apparent in the mid-sixties that the complexity of the existing regulations would make a rate hearing most difficult. An independent advisory committee reporting to the Alberta Government in 1969 came to the conclusion that Calgary Power Ltd. should be regulated in the same manner as other utilities in the Province. Early in 1970 the Company commenced discussions with the Province that culminated in September, 1972 in an agreement to effect the necessary change.



RATES FOR ELECTRIC SERVICE

Although it is among the last of the utilities to request an increase in rates and it regrets the necessity of having to depart from a long history of successive rate reductions, the Company on October 20 filed Notice of Application with the Public Utilities Board for a general increase in revenue of approximately 15%. At a preliminary hearing on November 28, 1972, the Board fixed January 16, 1973 as the date for commencement of the hearing of evidence from the Company. At the conclusion of this segment of the hearings the Company applied for interim rates and approval was granted by the Board for introduction of the proposed new rates applicable to bills rendered after April 1, 1973 in respect of consumption subsequent to March 1, 1973. These new rates are subject to revision and the interim revenue collected subject to adjustment should the Board so decide as a result of the hearing.

The present rate structure was developed prior to, and during, World War II. The proposed new rates mentioned in the preceding paragraph are more in line with current conditions. In the intervening years energy consumption by all categories of consumers has increased very substantially and patterns of consumption have changed markedly. In setting new rates, fair to all consumers, a number of factors have to be considered and it is necessarily a complex judgment matter. The primary objective is to establish rate levels and rate structures that will match total revenues with total revenue requirements, meet consumer needs and encourage efficient use of our facilities. Informed consideration of many interacting factors, such as the nature of the service to the consumer, the alternative energy sources available, comparison with other utilities and public relations,

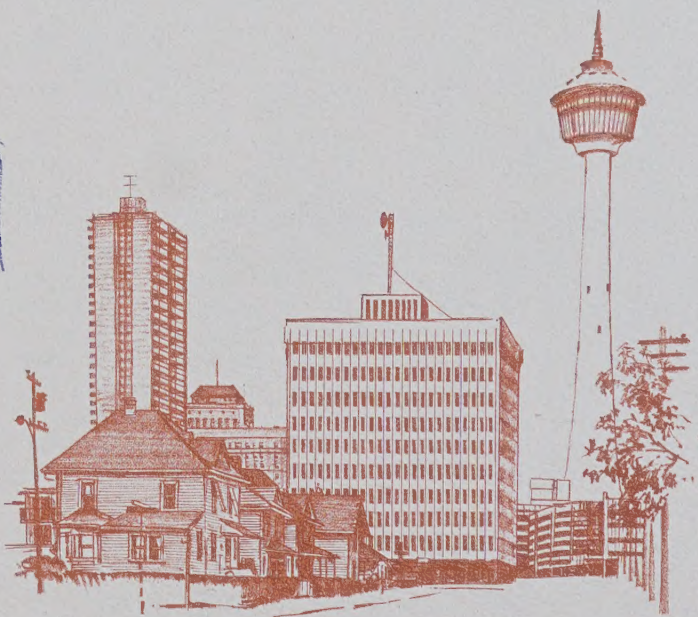
all enter into the determination of a cost of service to the consumer that is just and reasonable.

Since the mid-sixties the rate of inflation in Canada has accelerated to an alarming extent. This high level of inflation, which shows little sign of abatement, has had a major impact on the Company's operations particularly in the cost of money, wages and cost of materials and equipment. An additional factor that will have a marked effect on the Company's operations in the future is the heavy expenditure on environmental protection equipment.

ENVIRONMENTAL PROGRESS

The Company has continued to take positive steps to minimize the effect of its operations on the environment. As a supplier of electricity, it is faced with a major dilemma, in the need to supply ever increasing quantities of electric energy and at the same time to minimize the impact of the electric utility business on the environment. At the Sundance thermal station, the Company is installing electrostatic precipitators designed to eliminate 99.5% of the flyash and solid particulates before the exhaust gas, so cleaned and almost sulphur free, is directed up 500 foot stacks for dispersal. Detailed research is underway at the Wabamun station to determine the general design for efficient stack emission equipment at that plant. The Wabamun coal differs from Sundance coal to the extent that special treatment of the flue gas is required to make efficient electrostatic precipitation possible.

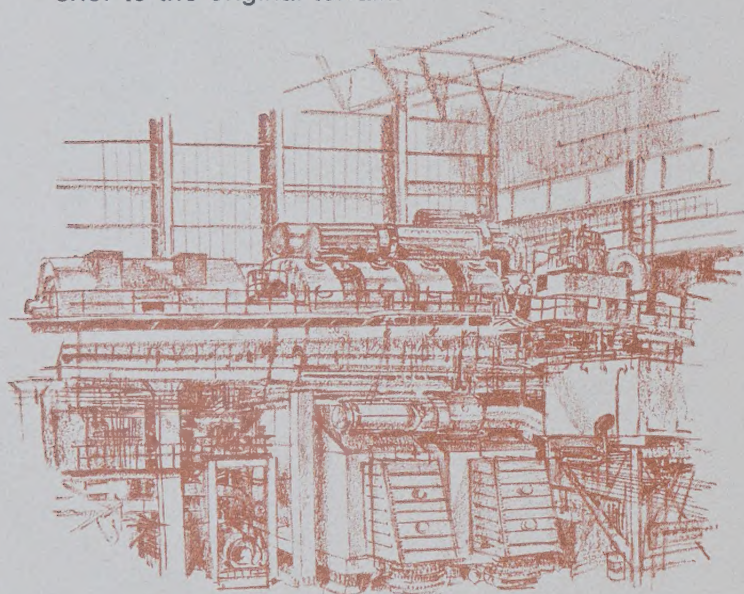
During the summer of 1972 a large scale, highly successful weed harvesting programme was carried out on Lake Wabamun. The Company believes that



Head Office Building

a sustained programme of this type promises to be the most effective and economical means of preserving the recreational amenities of this lake. The Company is of the view that considerable research is still necessary to determine more positively the effects of all factors affecting the aquatic environment including nutrient levels, all discharges into the lake, lake levels and amount of sunlight before any final decision is made on the large expenditures that would be needed to curtail or eliminate thermal discharges to Lake Wabamun.

In the coal mining area very successful reclamation procedures are being carried out. By the end of 1972 some 475 acres were being reclaimed. In co-operation with the Province a series of experiments has been carried out to determine the most suitable species of vegetation to provide cover in the disturbed area. Results of these experiments show that suitable types of grass and forage will respond favourably and that subsequent growth will be rapid. As a result the reclaimed area promises to be superior to the original terrain.



Sundance Unit No. 1

ENERGY RESOURCE MANAGEMENT

At the present time the Company has a net generating plant capability of 1,655,000 kilowatts of which 800,000 kilowatts or 48% is hydro and the balance of 855,000 kilowatts is thermal generation. It also has a million kilowatts of new thermal generating plant either under construction or on order. On the completion of Sundance No. 2 in 1973 and Sundance No. 3 and No. 4 in the 1975-77 period, the total net capability will have reached 2,645,000 kilowatts.

With the Bighorn project completed, the Company has no sizeable undeveloped hydro site at its disposal. In recent years it carried out preliminary investigations on the Slave River near Fort Fitzgerald. The site there is large, probably in the order of 1,500,000 kilowatts. The long plant construction period with the resulting high interest costs during construction and the additional cost of transmitting

the energy 460 miles to the Edmonton area load centre indicates the development is not economical at this time. However, studies will continue on the site as it could become of interest considering the rapidly changing conditions in the northern areas.

For the foreseeable future the Company's principal fuel will continue to be coal and steps are being taken to consolidate its coal resources. Late in 1972 and early 1973, the Company acquired control of an estimated additional 88 million tons of coal in the Sundance area. As a result your Company now controls or has committed in the Wabamun-Sundance area a total of 293 million tons in reserves, of which 18 million have been consumed. In addition, a substantial reserve in the Roundhill-Dodds area of east central Alberta was acquired in 1971. The Company has other coal areas under lease which have not yet been fully explored.

In the area of long range planning the Company is an active participant in the Electric Utility Planning Council which includes the major energy supply and distribution entities in the Province. The Council was formed in 1972 to carry out detailed studies of load requirements, plant sites, fuel logistics and other factors relating to the future development of the overall supply system to ensure adequate and economical power for Alberta.

ORGANIZATION

At the last Special and Annual General Meeting of the Company the Board of Directors was increased from nine members to eleven. To fill these vacancies and also that caused by the death of Mr. R. A. Brown, Jr., Messrs. R. G. Black, J. H. Coleman and M. M. Williams were elected to the Board.

The Company recently announced the appointments of Mr. T. D. Stanley to Vice-President, Resources Planning, and Mr. G. H. Milligan to Vice-President, Administration. Mr. Stanley joined Calgary Power Ltd. in 1935, and Mr. Milligan in 1925. During the last few years a young group of talented and energetic employees has grown up within the Company and this group is assuming more of the day to day responsibilities for its operations. These younger members of the staff are moving up rapidly in the organization and give the best of assurances that the future of the Company will continue in competent hands.

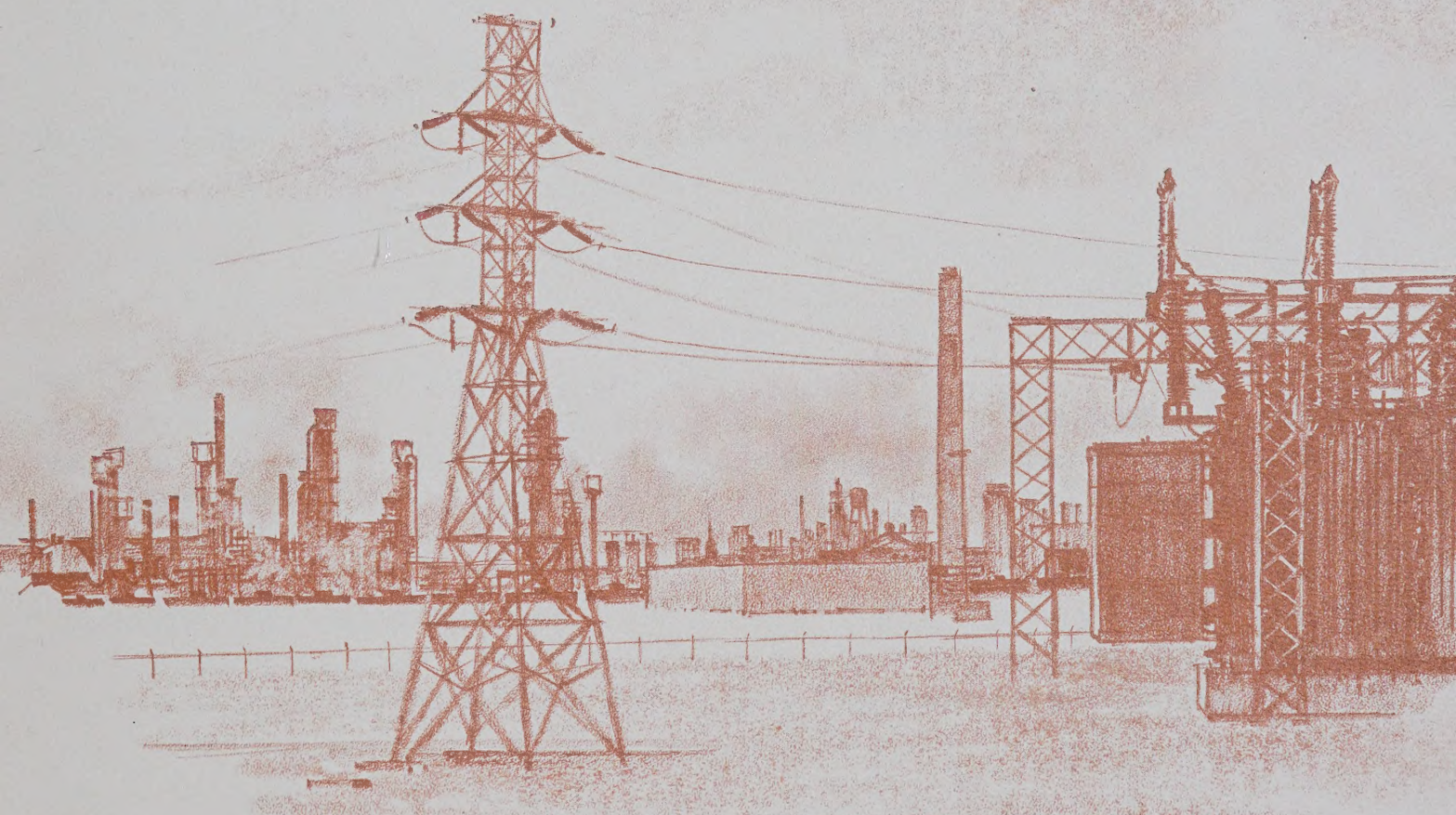
On behalf of the Company, your Directors wish to express their appreciation to all our employees who have contributed in such large measure to the successful conclusion of the year's operations.

Submitted on behalf of the Board of Directors,

A. W. HOWARD,
President.

February 16, 1973.

FINANCIAL INFORMATION



Power for Petroleum

CALGARY POWER LTD.

CONSOLIDATED BALANCE SHEET

December 31, 1972 and 1971

ASSETS

1972 1971
(Thousands of dollars)

PROPERTY ACCOUNT:

Land, buildings, plant and equipment at cost (Note 2)	\$537,188	\$468,247
Less accumulated depreciation (Note 3)	113,437	102,253
	<u>423,751</u>	<u>365,994</u>

INVESTMENTS—at cost:

Shares of unconsolidated subsidiary (Note 1)	20	20
Other	135	133
	<u>155</u>	<u>153</u>

CURRENT:

Cash	307	298
Accounts receivable	8,838	6,258
Materials and supplies at average cost	3,037	2,462
Prepaid expenses	330	155
	<u>12,512</u>	<u>9,173</u>

DEFERRED CHARGES:

Financing costs less amortization	2,453	1,782
Other	105	211
	<u>2,558</u>	<u>1,993</u>

<u>\$438,976</u>	<u>\$377,313</u>
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(See accompanying notes)

LIABILITIES

	1972	1971
	(Thousands of dollars)	
SHAREHOLDERS' EQUITY:		
Common shares	\$ 14,995	\$ 14,994
Retained earnings	90,735	83,036
Total common shareholders' equity	105,730	98,030
Preferred shares	18,045	18,046
Total shareholders' equity	123,775	116,076
LONG TERM DEBT	223,909	194,932
CURRENT:		
Bank loan	16,350	3,750
Short term notes payable	125	2,070
Accounts payable and accrued charges	10,332	9,322
Income and other taxes payable	770	367
Dividends payable	1,610	1,610
Accrued interest on long term debt	2,651	2,036
Consumers' deposits	371	377
	32,209	19,532
DEFERRED CREDITS AND OTHER ITEMS:		
Deferred income taxes (Note 4).....	39,888	34,622
Customer and other contributions (Note 5)	16,195	9,151
Reserve for rate adjustments	3,000	3,000
	59,083	46,773
	\$438,976	\$377,313
On behalf of the Board:		
M. M. WILLIAMS, <i>Director</i> .		
ROBERT G. BLACK, <i>Director</i> .		

(See accompanying notes)

CALGARY POWER LTD.

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31, 1972 and 1971

	1972	1971
	(Thousands of dollars)	
Gross revenue from operations	\$70,026	\$63,002
Operating deductions:		
Operating expenses	23,295	20,291
Taxes, other than taxes on income	3,365	2,851
Depreciation (Note 3)	13,100	12,200
Taxes on income including deferred portion (Note 4)	5,450	5,530
	45,210	40,872
Operating income	24,816	22,130
Allowance for funds used during construction	3,718	2,051
Income before interest charges	28,534	24,181
Interest charges:		
Interest on first mortgage bonds	7,437	6,515
Interest on other long term debt	6,491	4,425
Other interest (net)	467	360
	14,395	11,300
Net income for the year	14,139	12,881
Dividends on preferred shares	862	1,204
Earnings applicable to common shares	\$13,277	\$11,677
Earnings per share of common stock:		
On average shares actually outstanding	\$2.38	\$2.18
Assuming conversion of the 5.40% convertible preferred shares	\$2.36	\$2.14

(See accompanying notes)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Years ended December 31, 1972 and 1971

	1972	1971
	(Thousands of dollars)	
Balance at beginning of year	\$83,036	\$76,705
Net income for the year	14,139	12,881
	97,175	89,586
Deduct:		
Dividends—		
Preferred shares	862	1,204
Common shares	5,578	5,346
	6,440	6,550
Balance at end of year	\$90,735	\$83,036

(See accompanying notes)



**CALGARY
POWER**

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Years ended December 31, 1972 and 1971

	1972	1971
	<i>(Thousands of dollars)</i>	
Source of Funds		
From operations:		
Net income for the year	\$14,139	\$12,881
Add items not involving funds—		
Depreciation	13,100	12,200
Deferred income taxes	5,266	3,546
	<u>32,505</u>	<u>28,627</u>
Issue of Long Term Debt:		
First Mortgage Bonds	30,000	—
Notes Payable—Secured	4,860	3,399
Secured Debentures	11,006	30,252
Notes Payable—Other	100	260
Sundry Indebtedness	5,670	1,700
Other	1,865	1,161
	<u>\$86,006</u>	<u>\$65,399</u>
Application of Funds		
Capital expenditures:		
Production	\$42,836	\$28,602
Transmission	5,479	7,304
Substations	5,347	4,118
Distribution	10,021	6,981
Other	2,562	2,890
	<u>66,245</u>	<u>49,895</u>
Dividends:		
Preferred shares	862	1,204
Common shares	5,578	5,346
Reduction of Long Term Debt	22,659	5,095
Decrease (increase) in bank and other short term loans	(10,655)	8,317
Decrease (increase) in working capital deficiency exclusive of changes in bank and other short term loans	1,317	(4,458)
	<u>\$86,006</u>	<u>\$65,399</u>

(See accompanying notes)

AUDITORS' REPORT

To the Shareholders of Calgary Power Ltd.

We have examined the consolidated balance sheet of Calgary Power Ltd. and its subsidiaries and the consolidated statements of long term debt and capital stock as at December 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the adoption of the policy of amortizing customer and other contributions as explained in note 5, were applied on a basis consistent with that of the preceding year.

Calgary, Canada.
February 2, 1973.

CLARKSON, GORDON & CO.,
Chartered Accountants.

CALGARY POWER LTD.

STATEMENT OF LONG TERM DEBT

December 31, 1972 and 1971

	1972 (Thousands of dollars)	1971 (Thousands of dollars)
First Mortgage Bonds	\$119,122	\$110,516
Notes Payable—Secured	12,306	8,260
Secured Debentures	69,121	58,436
Notes Payable—Other	15,990	16,020
Sundry Indebtedness	7,370	1,700
	<u>\$223,909</u>	<u>\$194,932</u>

First Mortgage Bonds

3¼% Series due 1972	\$ —	\$ 6,159
3½% Series due 1972	—	4,220
3% Series due 1972	—	4,390
4½% Series due 1972	—	4,685
4% Series due 1972	—	1,940
7¼% Series due 1973	1,000	1,000
7¼% Series due 1974	1,000	1,000
7¼% Series due 1975	3,000	3,000
4½% Series due 1976	3,300	3,300
7¼% Series due 1976	3,000	3,000
8¼% Series due 1976	2,500	2,500
5½% Series due 1977	6,997	6,997
8¼% Series due 1977	2,500	2,500
5½% Series due 1978	3,700	3,700
7.80% Series due 1978	5,000	—
4 % Series due 1979	3,165	3,165
5¾% Series due 1981	9,400	9,400
5¾% Series due 1982	8,000	8,000
5¾% Series due 1983	9,000	9,000
5% Series due 1984	7,000	7,000
6 % Series due 1985	8,560	8,560
7½% Series due 1988	12,000	12,000
7% Series due 1989	5,000	5,000
8½% Series due 1993	25,000	—
	<u>\$119,122</u>	<u>\$110,516</u>

The First Mortgage Bonds are secured by a first and specific mortgage and charge upon certain of the Company's lands, buildings, plant and equipment and by a first floating charge upon all other assets situated in the Province of Alberta.

The Trust Deed securing the issues provides for a sinking fund for the retirement of First Mortgage Bonds payable on September 1 each year of 1% of the original principal amount of First Mortgage Bonds previously issued.

	1972 (Thousands of dollars)	1971 (Thousands of dollars)
Notes Payable—Secured		
5½% Series due 1972 to 1981	\$11,270	\$ 8,061
6 % Series due 1978 to 1981	1,036	199
	<u>\$12,306</u>	<u>\$ 8,260</u>

These notes have no authorized limit and are secured by a \$6,000,000 First Mortgage Bond 5½% Series due 1978, a \$12,000,000 First Mortgage Bond of the Series due 1982, and a \$1,600,000 U.S. First Mortgage Bond 6% Series due 1982. Such notes are payable in sterling (£4,467,000) and U.S. dollars (\$1,047,000) and have been stated in Canadian funds at the rate of exchange prevailing at the date of issue.

(See accompanying notes)

Secured Debentures

Series A—maturing one to five years at interest rates varying from 6¾% to 9½%

Due 1972	\$ —	\$ 321
Due 1973	656	656
Due 1974	5,121	5,121
Due 1975	7,103	7,103
Due 1976	235	235
Due 1977	1,006	—
	<u>14,121</u>	<u>13,436</u>
Series B—9% Due 1990	20,000	20,000
Series C—8 % Due 1992	25,000	25,000
Series D—7% Due 1978	3,000	—
—7¼% Due 1980	7,000	—
	<u>\$69,121</u>	<u>\$58,436</u>

The Debentures are secured by a floating charge on the property and assets of the Company subject to the first and specific mortgage and charge and first floating charge securing the First Mortgage Bonds.

	1972 (Thousands of dollars)	1971 (Thousands of dollars)
Notes Payable—Other		
1973	\$ —	\$ 3,400
1974	2,750	2,750
1975	3,550	3,550
1976	3,410	3,410
1977	2,910	2,910
1978	3,370	—
	<u>\$15,990</u>	<u>\$16,020</u>

These notes, which are unsecured and have no authorized limit are payable to Farm Electric Services Ltd., bear interest at the prevailing prime bank interest rate (6% at December 31, 1972) and mature December 31 in each year.

The above notes represent a portion of funds contributed by members of Rural Electrification Co-operative Associations which have been invested, with the approval of the Alberta Director of Co-operative Activities, for their account by Farm Electric Services Ltd. as their agent.

Annual Requirements

The annual requirement for sinking fund and for repayment of maturing issues of currently outstanding long term debt for each of the following years is:

Year ended December 31	Annual Requirement (Thousands of dollars)	
	Sinking Fund	Maturing Issues
1973	\$ —	\$ 2,681
1974	1,351	10,325
1975	1,910	15,545
1976	1,852	14,356
1977	1,765	15,341

The requirement shown for maturing issues will be reduced to the extent of purchases of these issues for sinking fund purposes. Sinking fund requirements for 1973 and \$337,000 for 1974 have been satisfied by bonds purchased and cancelled in 1971 and 1972 and are excluded from the above figures.

The Long Term Debt of \$2,681,000 maturing in 1973 has been excluded from current liabilities in the accompanying balance sheet as it is expected that it will be refinanced with long term borrowing.

STATEMENT OF CAPITAL STOCK

December 31, 1972 and 1971

	1972	1971
	<i>(Thousands of dollars)</i>	
Common shares of no par value		
Authorized—7,500,000 shares		
Issued —5,578,031 (1971—5,577,856)	\$14,995	\$14,994
Preferred shares of \$100 each		
Authorized—600,000 shares		
Issued —cumulative redeemable preferred shares		
50,000 4 % Series	\$ 5,000	\$ 5,000
30,000 4½% Series	3,000	3,000
40,000 5 % Series	4,000	4,000
60,455 (1971—60,460) 5.40% Series (convertible)	6,045	6,046
	<u>\$18,045</u>	<u>\$18,046</u>

During the year 175 common shares were issued on conversion of 5.40% preferred and fractional share certificates. The remaining preferred shares of the 5.40% Series are convertible into 3 common shares for each preferred share converted up to and including November 30, 1976 and 181,365 common shares have been reserved for such conversion.

The preferred shares are redeemable only at the option of the Company on the following basis: 4% Series and 4½% Series at \$103 per share; 5% Series at \$103 per share to October 1, 1973 and at par thereafter; 5.40% Series at \$102.50 per share to November 30, 1976 and at par thereafter.

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1972

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, The Alberta Southern Coal Company Ltd. and The Calgary Water Power Company, Limited, both of which are inactive, and Kanelk Transmission Company Limited, which owns a transmission line extending from the Company's hydro-electric plants on the Kananaskis River near the British Columbia border through British Columbia to the Crowsnest Pass in southern Alberta. The other wholly-owned subsidiary, Farm Electric Services Ltd., is not consolidated as it is a non-profit organization which organizes, constructs, operates and maintains, at cost, electric distribution systems owned by farmers' co-operative associations. The shares of Farm Electric Services Ltd. are shown as an investment at their cost to the Company.

2. Property Account

The land, buildings, plant and equipment, including property under construction of \$47,548,000 (\$50,881,000 as at December 31, 1971) is carried at cost as defined in the regulations issued under the Alberta Water Resources Act.

3. Depreciation

The companies provide for depreciation in amounts approximately equivalent to 3% of the average cost of property in service. This rate was derived from comprehensive studies of properties, plant and equipment, and the related accumulated depreciation, conducted in 1964 and 1972. The studies included depreciation calculations on a sinking fund basis (recognizing loss in value as a result of physical, functional or other causes) applied to costs adjusted for variations in the purchasing power of the dollar, year by year, and also on the straight line basis applied to actual costs.

4. Income Taxes

Included in taxes on income for the year is an amount of \$5,266,000 representing income taxes otherwise payable in respect of the year, payment of which has been deferred as a result

of the companies claiming, for tax purposes, depreciation and other items in amounts greater than those charged in the accounts.

The Company's application for a three year income tax exemption on income derived from the Highvale coal mine was approved, with effect from November 1, 1970. As a result, income taxes otherwise payable for the year ended December 31, 1972 have been reduced by approximately \$2,100,000 (1971—\$2,300,000).

5. Customer and Other Contributions

The increase in the customer and other contributions account reflects a contribution from the Government of Alberta of \$5,075,000 towards the cost of construction of the Bighorn Storage and Power Development project which was completed in 1972. During the construction period, advances received in connection with the project were carried in property under construction.

Effective January 1, 1972 the companies have commenced to amortize the balance in the customer and other contributions account on a 3% straight line basis, which has been applied as a reduction in depreciation expense. Had the previous method of not amortizing contributions been followed in the current year, net income for the year would have been reduced by \$185,000.

6. Pension Plan

The Company has a retirement pension plan covering substantially all employees. Based on actuarial advice an unfunded past service obligation of \$2,129,000 is being funded and charged to operations in annual amounts of \$207,000.

7. Directors and Officers

The board of directors consists of eleven directors of whom four are officers of the Company. The aggregate remuneration paid during 1972 by the Company to the directors as directors was \$8,300 and to the ten officers as officers was \$147,260. In addition the Company paid \$90,895 indirectly for the services of certain of the officers and directors.

CALGARY POWER LTD.

CONSOLIDATED 10 YEAR GROWTH SUMMARY

	1972	1971	1970
Financial Record (Thousands of dollars)			
Gross revenue from operations			
Residential, general service and small industry.. \$	18,345	16,622	15,042
Industry	24,975	21,361	18,776
Cities and towns under wholesale contracts	17,395	16,334	15,145
Farms	7,756	7,258	6,588
Total electrical	\$ 68,471	61,575	55,551
Other revenue	1,555	1,427	1,297
Gross revenue from operations	\$ 70,026	63,002	56,848
Operating deductions			
Operating expenses	\$ 23,295	20,291	18,247
Taxes, other than taxes on income	3,365	2,851	2,597
Depreciation	13,100	12,200	10,900
Taxes on income	5,450	5,530	7,430
	\$ 45,210	40,872	39,174
Operating income	\$ 24,816	22,130	17,674
Allowance for funds used during construction ..	3,718	2,051	4,256
Income before interest charges	\$ 28,534	24,181	21,930
Interest charges:			
Interest on first mortgage bonds	\$ 7,437	6,515	6,600
Interest on other long term debt	6,491	4,425	2,151
Other interest (net)	467	360	1,493
	\$ 14,395	11,300	10,244
Net income for the year	\$ 14,139	12,881	11,686
Dividends on preferred shares	862	1,204	1,345
	\$ 13,277	11,677	10,341
Appropriations to reserve for rate adjustments ..	—	—	—
Earnings applicable to common shares	\$ 13,277	11,677	10,341
Earnings per common share (2)	\$ 2.38	2.18	1.97
Dividends per common share	\$ 1.00	1.00	.85
Total shareholders' investment	\$ 123,775	116,076	109,745
Statistical Record			
KWH Sales (Millions)			
Residential, general service and small industry..	813	718	636
Industry	2,648	2,242	1,957
Cities and towns under wholesale contracts	2,741	2,482	2,336
Farms	458	424	379
	6,660	5,866	5,308
Customers			
Served directly	153,118	146,193	139,925
Served indirectly through wholesale contracts ..	152,509	144,833	137,004
Generating capability (Net MW)			
Hydro	800	680	680
Thermal	855	855	855
Purchased	—	5	5
	1,655	1,540	1,540
Total Assets (Thousands of dollars)	\$ 438,976	377,313	339,558
Capitalization ratio			
Long term debt	64.4	62.7	59.7
Preferred shares	5.2	5.8	9.9
Common shareholders' equity	30.4	31.5	30.4
	100.0	100.0	100.0

Note: (1) Excluding income tax savings from the coal mining operation.

(2) 1965 and prior years adjusted to include interest charged to construction as income.



**CALGARY
POWER**

1969	1968	1967	1966	1965	1964	1963
14,033	14,041	13,046	12,169	11,921	11,207	10,550
16,389	14,412	12,195	11,547	10,906	9,975	9,380
13,158	11,436	10,537	9,319	9,350	8,389	7,594
6,271	5,675	5,406	4,988	4,822	4,302	3,950
49,851	45,564	41,184	38,023	36,999	33,873	31,474
1,202	929	746	717	673	685	598
51,053	46,493	41,930	38,740	37,672	34,558	32,072
15,167	13,333	12,877	10,828	9,541	8,952	8,763
2,442	2,126	1,948	1,823	1,688	1,493	1,280
9,500	8,500	7,400	6,900	6,400	5,800	5,500
7,530	7,350	6,660	5,210	6,270	5,730	5,940
34,639	31,309	28,885	24,761	23,899	21,975	21,483
16,414	15,184	13,045	13,979	13,773	12,583	10,589
2,235	1,822	2,432	1,564	828	1,175	593
18,649	17,006	15,477	15,543	14,601	13,758	11,182
6,426	5,343	4,478	4,464	3,958	3,614	3,146
1,304	897	717	697	618	568	496
342	816	558	451	299	237	264
8,072	7,056	5,753	5,612	4,875	4,419	3,906
10,577	9,950	9,724	9,931	9,726	9,339	7,276
1,345	1,345	1,374	535	535	535	535
9,232	8,605	8,350	9,396	9,191	8,804	6,741
—	—	—	1,100	1,000	900	(250)
9,232	8,605	8,350	8,296	8,191	7,904	6,991
1.76	1.64	1.59	1.58(1)	1.56(1)	1.50(1)	1.33
.80	.80	.72½	.70	.65	.60	.60
103,866	98,834	94,429	89,885	70,264	65,486	60,731
597	608	555	508	475	426	376
1,735	1,441	1,219	1,148	1,039	931	861
1,998	1,669	1,510	1,347	1,186	1,045	942
359	321	303	277	257	223	200
4,689	4,039	3,587	3,280	2,957	2,625	2,379
135,161	140,244	136,837	133,517	131,970	129,695	125,086
140,283	123,324	116,724	113,744	110,866	107,353	103,392
680	680	680	490	490	325	325
569	569	283	283	283	283	283
5	5	11	11	11	16	16
1,254	1,254	974	784	784	624	624
297,617	270,179	247,032	224,580	202,287	183,482	166,876
56.2	55.9	54.4	52.8	58.9	58.4	58.3
11.4	12.0	13.0	14.2	7.0	7.6	8.2
32.4	32.1	32.6	33.0	34.1	34.0	33.5
100.0	100.0	100.0	100.0	100.0	100.0	100.0

CORPORATE INFORMATION

Head Office

110-12th Avenue South West, Calgary, Alberta

Transfer Agents

For Preferred Shares:

CROWN TRUST COMPANY, Calgary, Montreal, Toronto, Vancouver
Montreal Trust Company, Regina, as Agent of Crown Trust Company

For Common Shares:

MONTREAL TRUST COMPANY, Calgary, Montreal, Toronto, Winnipeg, Regina, Vancouver

Registrars

For Preferred Shares:

THE ROYAL TRUST COMPANY, Calgary, Montreal, Toronto, Regina, Vancouver

For Common Shares:

MONTREAL TRUST COMPANY, Calgary, Montreal, Toronto, Winnipeg, Regina, Vancouver

Trustees and Registrars

For First Mortgage Bonds:

MONTREAL TRUST COMPANY, Calgary

For Secured Debentures:

THE ROYAL TRUST COMPANY, Calgary

Auditors

CLARKSON, GORDON & Co., Chartered Accountants, Calgary

Solicitors

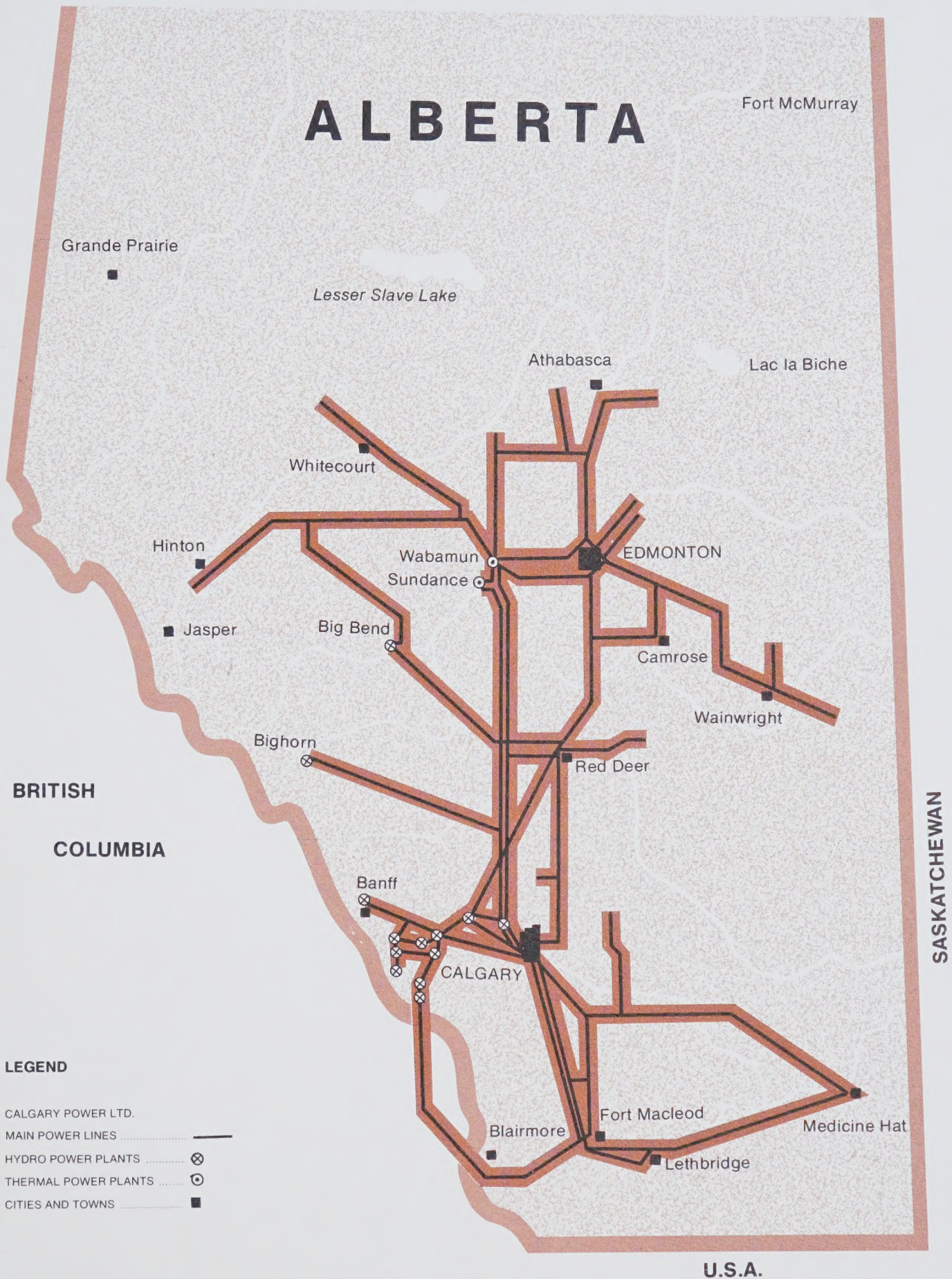
SAUCIER, JONES, BLACK, GAIN, STRATTON & LAYCRAFT, Calgary

DUNCAN & CRAIG, Edmonton



Brazeau Outlet Works

ALBERTA





CALGARY
POWER



RDWilson

CALGARY POWER LTD.

Interim Consolidated Statement of Source and Application of Funds

6 Months Ended June 30
1972 1971

SOURCE OF FUNDS

From operations:

Net income for the period	\$ 7,510,000	\$ 6,557,000
Add items not involving funds —		
Depreciation	6,652,000	6,150,000
Deferred income taxes	2,222,000	1,771,000
	16,384,000	14,478,000

Issue of Long Term Debt:

First Mortgage Bonds	30,000,000	—
Notes Payable — Secured	2,251,000	1,472,000
Secured Debentures	—	5,252,000
Sundry Indebtedness	—	1,700,000
Other	761,000	384,000
	\$49,396,000	\$23,286,000

APPLICATION OF FUNDS

Capital expenditures	\$24,236,000	\$21,178,000
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Dividends:

Preferred shares	431,000	663,000
Common shares	2,789,000	2,631,000

Decrease in bank and other

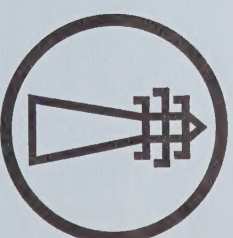
short term loans	5,700,000	824,000
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Decrease (increase) in working capital deficiency
exclusive of changes in bank and other short

term loans	1,080,000	(4,501,000)
Reduction of Long Term Debt	15,160,000	2,491,000
	\$49,396,000	\$23,286,000

INTERIM REPORT

June 30, 1972



**CALGARY
POWER**

AR09

CALGARY POWER LTD.

Interim Consolidated Statement of Income

(Subject to year end adjustments and audit)

	6 Months Ended June 30 1972	12 Months Ended June 30 1972	1971
Gross revenue from operations	\$35,298,000	\$66,378,000	\$60,203,000
Operating deductions:			
Operating expenses	11,358,000	21,607,000	19,567,000
Taxes other than taxes on income	1,665,000	3,046,000	2,728,000
Depreciation	6,652,000	12,702,000	11,633,000
Taxes on income including deferred portion (Note 1)	3,015,000	5,245,000	6,615,000
Operating income	22,690,000	42,600,000	40,543,000
Income deductions:			
Interest on first mortgage bonds	3,235,000	6,470,000	6,568,000
Interest on other long term debt	3,185,000	5,546,000	3,458,000
Other interest (net)	256,000	735,000	514,000
Interest charged to construction (credit)	(1,578,000)	(2,807,000)	(3,001,000)
Net income for the period	5,098,000	9,944,000	7,539,000
Dividends on preferred shares	7,510,000	13,834,000	12,121,000
Earnings applicable to common shares	431,000	972,000	1,336,000
Earnings per share of common stock:			
On average shares actually outstanding	\$ 7,079,000	\$12,862,000	\$10,785,000
Assuming conversion of the 5.40% convertible preferred shares	\$1.27	\$2.34	\$2.05
	\$1.26	\$2.33	\$2.00

Note 1: The income tax exemption on income derived from the Highvale Coal Mine results in income taxes otherwise payable being reduced by \$1,056,000 for the six months ended June 30, 1972 as compared to \$1,100,000 for the same period of 1971.